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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Microgrids Pursuant to Senate Bill 1339

Rulemaking 19-09-009
(Filed September 12, 2019)

**COMMENTS OF SOLANA ENERGY ALLIANCE AND THE CITY OF SAN DIEGO
ON THE ORDER INSTITUTING RULEMAKING**

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October 21, 2019

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I. INTRODUCTION

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) and the Order Instituting Rulemaking (“OIR”) issued in the above-captioned proceeding on September 19, 2019, Solana Energy Alliance (“SEA”) and the City of San Diego (“CSD”) (collectively “San Diego CCA Parties”) submit these comments regarding the OIR’s preliminary determinations about the issues to be considered in the proceeding and the procedural schedule.¹ SEA is a Community Choice Aggregation (“CCA”) program located in Solana Beach, California. The City of San Diego has selected Community Choice Aggregation (CCA) as the preferred pathway to reach its 100 percent renewable electricity goal in the City’s landmark Climate Action Plan. Recently, City Council approved a resolution to begin the process of establishing a Joint Powers Authority (JPA) to form a CCA. The CCA is expected to serve customers starting in 2021. The San Diego CCA Parties have a strong interest in the future deployment of microgrids to achieve goals that they have established, including reducing carbon

¹ Pursuant to Rule 1.4(a)(2)(ii), SEA and CSD understand that submitting comments on the OIR confers each of the parties with party status in this proceeding.

emissions, maintaining competitive electricity rates, and improving the resiliency and reliability of its power supply. The CCA Parties also agree with the legislature and others that microgrids are critically important tools in achieving various state policy goals.

II. COMMENTS

The OIR states that the proceeding is designed to begin crafting a policy framework to enable microgrids and is broad in scope.² The San Diego CCA Parties do not object to any of the issues identified for consideration in the OIR and provide the following comments to supplement and refine the issues that should be considered and reviewed in this proceeding. Given the nature of this undertaking and the early stages of the process, the San Diego CCA Parties encourage the Commission to be flexible in its consideration of issues going forward and to remain open to addressing new issues that may come to light.

A. Removing Barriers to Microgrid Development Is an Issue that Should Be Developed Further with Additional Detail in the Final Scoping Memo

Senate Bill (“SB”) 1339 calls on the Commission to “develop methods to reduce barriers for microgrid deployment” without shifting costs among ratepayers.³ Similarly, the OIR identifies the removal of barriers as a relevant subject in this proceeding, describing Issue No. 2 as follows: “Develop methods to reduce barriers for microgrid deployment, without shifting costs between ratepayers, pursuant to Section 8371(b).”⁴ The San Diego CCA Parties recommend that the final scoping memo reflect additional detail to provide the parties with more guidance, as further described below.

1. The Cost of Developing and Operating a Microgrid Must Be Examined Closely Throughout this Proceeding and Should Include Avoided Costs

² “The scope of this proceeding may include all microgrid policy framework issues. This includes programs, rules, and rates related to microgrids that will help accomplish the state’s broader policy goals.” OIR at 2.

³ Cal. Pub. Util. Code § 8371, subd. (b).

⁴ OIR at 7.

Cost is potentially a significant barrier to microgrid development. The cost of such projects is not incurred in a vacuum, but occurs against the backdrop of other options and alternatives, some of which may not be monetized by the customer or developer, but may instead accrue to ratepayers in general. Accordingly, as part of its consideration of barriers, the Commission should take into consideration the cost of developing and operating microgrids, including any avoided transmission and distribution costs, or other avoided costs, that may result from such projects. Economic and rate analysis will be required to identify, analyze and remove cost-related barriers.

The San Diego CCA Parties recommend that reducing the cost of microgrid development and operation should be explicitly identified as a sub-part or sub-issue under Issue No. 2 in the final scoping memo, and formally addressed as part of this proceeding. Alternatively, the OIR identifies the development of rates and tariffs to support microgrids Issue No. 4 to be considered in this proceeding.⁵ Cost reduction, at least with respect to rates and tariffs, could also be identified under that issue heading.

2. Streamlining the Development Process Is Critical, Especially When Microgrids Are Being Deployed for Resiliency Purposes

The time required to bring a microgrid online from initial design to regular operation is another potential obstacle to the deployment of microgrids. This obstacle has the potential to be harmful to customers under today's threats to the power supply, namely the threat of wildfires and Public Safety Power Shutoffs ("PSPS"), which may leave customers without power for extended periods of time. Streamlining the development and approval process for microgrids,

⁵ See Issue No. 4: "Develop separate rates and tariffs, that are just and reasonable, to support microgrids, pursuant to Section 8371(d) ..." OIR at 7.

including interconnection, should also be identified as a sub-issue under Issue No. 2 in the final scoping memo.

B. Rules and Tariffs Should Be Fair, Equitable and Non-Discriminatory

The development of rules and tariffs around microgrids under Issue No. 4 in this proceeding will occur in the context of transformational changes in retail electricity service. Significant customer load departure from Investor-Owned Utilities (“IOUs”) to CCA programs and Direct Access (“DA”) providers is currently underway, as the Commission has observed in various proceedings and other official documents.⁶ Given these trends, microgrids should be available to distribution customers on equal terms, regardless of service provider. The rates that are ultimately developed in this proceeding should similarly be fair, equitable and non-discriminatory with respect to customer choices about service providers. Any guiding principles adopted as part of this proceeding should reflect these concepts, and the scoping memo should identify a place for these important considerations to be made.

C. The Schedule for the Proceeding Should Incorporate a Review of Existing Microgrid Projects so the Commission Can Benefit from Past Experience

While microgrids have not been the subject of major legislation or regulations in California prior to SB 1339, they are not a new concept and several microgrids are currently operating within the state. Existing microgrids can provide significant data and important lessons that should inform the Commission’s development of a policy framework. For example, the University of California, San Diego (“UCSD”) has operated a microgrid for several years now that is the product of an iterative approach to energy management. Currently, the UCSD microgrid generates more than 85% of the electricity used on campus annually by 45,000

⁶ See, e.g., California Public Utilities Commission, *California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market*, August 2018.

students, faculty and staff, with power being provided from several sources on campus, including a 30-megawatt cogeneration plant, 2.8-megawatt renewable energy fuel cell, and 2.4 megawatts of solar arrays.⁷ The microgrid saves the campus \$850,000 per month in power costs, and has the ability to island in the event of a major power outage.⁸

Lessons learned from the development of these and other microgrids should be examined closely in this proceeding to inform the development of policies and regulations that reflect the practical experience of microgrid developers and operators. Logically, a review of lessons learned or best practices should take place toward the beginning of the proceeding in order to inform the parties and avoid duplicative research and investigation. While there are different ways that this could be accomplished, the CCA Parties urge the Commission to include such a review in the early part of the schedule that is ultimately adopted for this proceeding.

III. PARTY INFORMATION

Pursuant to Rule of Practice and Procedure 1.4(a)(2), SEA and CSD provide information below for their respective addition to the service list for this proceeding. SEA requests that all correspondence, pleadings, notices, orders, rulings and other communications concerning this proceeding be directed to the following representative:

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⁷ See <https://sustain.ucsd.edu/focus/energy.html>.

⁸ See https://ucsdnews.ucsd.edu/pressrelease/more_power_to_you_ensuring_a_reliable_safe_and_secure_supply_of_energy_at_u.

CSD requests that all correspondence, pleadings, notices, orders, rulings and other communications concerning this proceeding be directed to the following representative:

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Director, Sustainability Department, City of San Diego

IV. CONCLUSION

The San Diego CCA Parties, specifically SEA and CSD, appreciate the opportunity to provide these comments and look forward to active participation in this proceeding.

Respectfully submitted,

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